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LIMDIS

E.O. 11652: GDS
TAGS: PFOR, US, GR
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SUBJECT: PARM - ANNUAL POLICY AND RESOURCE ASSESSMENT - PART I

REF: A. STATE 38356, B. STATE 41169, C. CERP 0001

A. U.S. INTERESTS

1. GREECE, IN MY OPINION, IS AMONG THAT SMALL ANDFUL OF NATIONS

WHERE OUR STRATEGIC CONCERNS, POLITICAL INTERESTS AND MORAL VALUES ARE NOT ONLY COMPATIBLE BUT ALSO SYMBIOTIC:

-- WE ARE DRAWN TO GREECE BY OUR STRATEGIC RIVALRY WITH THE SOVIET UNION SEEKING, AT A MINIMUM, TO DENY THIS COUNTRY AS A BASE FROM WHICH OUR ADVERSARY CAN PROJECT ITS POWER INTO THE EASTERN MEDITERRANEAN AND THE MIDDLE EAST. BEYOND THIS BEDROCK INTEREST, WE ALSO SEEK TO HAVE GREECE AVAILABLE TO PROJECT OUR OWN POWER AND THAT OF NATO INTO THE EASTERN MEDITERRANEAN, EASTERN EUROPE AND, POSSIBLY, THE MIDDLE EAST.

--AS FOR VALUES, GREECE TODAY SHARES WITH THE UNITED STATES AND ITS CLOSEST ASSOCIATES THE ASSUMPTIONS AND INSTITUTIONS OF LIBERAL DEMOCRACY. WE HAVE EVERY INTEREST IN SEEING THAT THE GREEK COMMITMENT TO DEMOCRACY IS STRENGTHENED. MOREOVER, A DEMOCRATIC GREECE WITH HEALTHY TIES TO THE UNITED STATES WILL PROBABLY FIND COMMON GROUND WITH US AND OUR OTHER ALLIES ON MAJOR POLITICAL AND ECONOMIC MATTERS BEFORE THE INTERNATIONAL COMMUNITY.

2. EITHER OUR EXTERNAL STRATEGIC INTEREST OR OUR VALUE SYSTEM WOULD JUSTIFY A MAJOR U.S. CONCERN FOR ITS RELATIONS WITH GREECE. BUT IT IS ESSENTIAL TO REMEMBER THAT IN GREECE THE INTERNAL AND EXTERNAL SECTORS ARE INEXTRICABLY LINKED. SHOCKS IN ONE ARE TRANSMITTED TO THE OTHER QUICKLY AND DIRECTLY, AS WE HAVE SO CLEARLY SEEN TWICE IN THE PAST DECADE, AND NO NATION THAT HAS INVOLVED ITSELF WITH GREECE OVER THE PAST 150 YEARS HAS BEEN ABLE TO ESCAPE THE MESHING OF THE INTERNAL

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AND THE EXTERNAL HERE.

3. OTHER FACTORS, SUBORDINATE TO THOSE ABOVE, ALSO MAKE GREECE OF DIRECT CONCERN TO US:

-- OUR RELATIONSHIP WITH THIS COUNTRY IS WOVEN OF MANY THREADS: OF LINGERING MEMORIES OF OUR EXTRAORDINARILY INTIMATE RELATIONSHIP IN THE POST-WAR ERA AND OF ITS MUTUAL ACHIEVEMENTS; OF THE PHILHELLENISM AND GREEK HERITAGE THAT PERVADE AMERICAN CULTURE; AND OF THE INTERESTS OF THE THREE MILLION GREEK-AMERICANS.

-- OUR LARGE AND GROWING INVOLVEMENT IN THE GREEK ECONOMY. TODAY ARE APPROXIMATELY \$500 MILLION OF DIRECT U.S. PRIVATE INVESTMENT IN GREECE, \$60 MILLION OF IT BACKED BY OPIC GUARANTEES, WHICH CONSTITUTE A POTENTIAL LIABILITY ON THE U.S. TAXPAYER. U.S. EXPORTS TO GREECE ARE CURRENTLY AT AN ANNUAL LEVEL OF \$400 MILLION, CONSTITUTING A SIGNIFICANT COMMERCIAL INTEREST AND ONE THAT WE WOULD LIKE TO SEE GROW.

-- GREECE IS THE SITE OF MAJOR VOA TRANSMITTERS BEAMED AT THE SOVIET UNION AND THE MIDDLE EAST, AREAS THAT WOULD BE HARD TO REACH WERE WE TO LOSE THESE FACILITIES.

-- THERE ARE IN GREECE APPROXIMATELY 37,000 NON-OFFICIAL U.S. CITIZEN RESIDENTS, WHOSE SAFETY ULTIMATELY IS A CONCERN OF THE USG.

B. OVERVIEW

4. AS I LOOK AHEAD, THE HORIZON HERE IS DOMINATED BY THE TURKS, CARAMANLIS, AND THE UNITED STATES.

5. OF THE THREE, THE FIRST IS MOST CRITICALLY IMPORTANT. EVER SINCE THEY SOUGHT TO ENTANGLE THE ENGLISH, THE FRENCH AND THE RUSSIANS IN THEIR STRUGGLE FOR INDEPENDENCE AGAINST THE OTTOMAN TURKS, THE GREEKS HAVE ALWAYS LOOKED TO OTHERS TO GUARANTEE
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THEIR SECURITY AND SURVIVAL. AS THIS SMALL, VULNERABLE NATION SURROUNDED BY MORE POWERFUL NEIGHBORS CONSTANTLY CASTS ABOUT FOR FOREIGN ALLIES, IT INEVITABLY HAS TO PICK BETWEEN THE EUROPEAN LAND POWER AND THE MEDITERRANEAN SEA POWER -- THE LUXURY OF NEUTRALITY HAS NEVER BEEN AVAILABLE. I DO NOT EXPECT THESE BASICS TO CHANGE MUCH IN THE

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YEARS AHEAD. AND AS THERE APPEARS TO BE GREATER
EQUIVALENCE BETWEEN THE UNITED STATES AND THE
SOVIET UNION OUR POLITICAL WISDOM, ON WHICH WE MUST
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INCREASINGLY RELY, WILL OFTEN BE TESTED.

6. GREEK POLITICS RETAIN ANOTHER FEATURE OF THE
PAST -- AN UNCOMMON BRITTLINESS. THE NATION IS
SUPENDED BETWEEN A BYZANTINE PAST WHICH SOUGHT
ORDER, BUT EXPERIENCED PERIODIC DISORDER, AND A
WESTERN FUTURE IN WHICH STABILITY WOULD BE FOUNDED
ON VALUES OF FREEDOM AND REASON. TODAY IT DERIVES
ITS GREATEST MEASURE OF STABILITY FROM THE LEADERSHIP
OF ONE MAN, PRIME MINISTER CONSTANTINE CARAMANLIS.
ANY POLITICAL SYSTEM SO DEPENDENT ON A SINGLE
PERSONALITY IS BY DEFINITION VULNERABLE.

7. IT IS VULNERABLE FIRST TO THE STRAINS AND DANGERS
OF THE CONFRONTATION WITH TURKEY. THERE IS A WIDELY
HELD VIEW HERE, WHICH CARAMANLIS TOLD CLARK CLIFFORD
AND ME A FEW WEEKS AGO THAT HE HAS FINALLY COME TO
SHARE, THAT TURKEY IS ENTERING ONCE AGAIN AN
EXPANSIONIST PHASE WITH AMBITIONS FIRMLY FIXED
ON GREEK CLAIMS AND TERRITORY IN THE AEGEAN. THUS,
THE LEADERSHIP OF GREECE HAS TURNED THE ENERGIES OF
THE NATION TO MEET THIS DANGER. WHILE GREEKS OVER-
WHELMINGLY WOULD PREFER TO SETTLE THEIR DIFFERENCES
WITH TURKEY PEACEABLY, THEY ARE NOT WILLING TO PAY AN

UNLIMITED PRICE TO ACHIEVE A COMPROMISE. THUS THE RISK OF WAR, ESPECIALLY IN THE AEGEAN, REMAINS UNACCEPTABLY HIGH. THERE IS NO DOUBT IN MY MIND THAT SUCH A CONFLICT WOULD DAMAGE OUR INTERESTS IN GREECE ENORMOUSLY, AND PERHAPS IRRETRIEVABLY.

8. EVEN SHORT OF ACTUAL WAR, CONTINUED GREEK-TURKISH TENSIONS ERODE OUR INTERESTS IN THE EASTERN MEDITERRANEAN. AMERICA VALUES ITS DEFENSE CONNECTION WITH GREECE AS PART OF THE EFFORT TO DEAL WITH THE SOVIETS. GREECE, THOUGH NOT FORGETFUL OF THE DANGERS TO THE NORTH, PRIMARILY VALUES ITS DEFENSE CONNECTIONS
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WITH THE UNITED STATES IN LIGHT OF "THE TURKISH THREAT". AT A MINIMUM THE GOG HOPES TO CONTINUE ITS ACCESS TO US ARMS AND ARMS ASSISTANCE. AT A MAXIMUM, IT WOULD LIKE TO SEE THE UNITED STATES CLEARLY COMMITTED TO PROTECTING GREECE AGAINST TURKEY. IF WE WERE TO PROVIDE SUCH AN IRONCLAD GUARANTEE OF GREECE' SECURITY, THERE WOULD BE FEW LIMITATIONS ON WHAT GREECE WOULD GRANT US IN RETURN. HOWEVER, THE LACK OF TOTAL CONGRUENCE BETWEEN AMERICAN AND GREEK DEFENSE OBJECTIVES HAS COMPLICATED OUR EFFORTS TO CONCLUDE NEGOTIATIONS ON OUR DEFENSE FACILITIES HERE. WITHOUT A DOUBT, THE QUESTION OF WHETHER THE GOG IS MANAGING OR MANIPULATING OUR DEFENSE TIES WILL REMAIN OPEN FOR THE NEAR FUTURE.

9. GREECE'S PREPARATIONS FOR POSSIBLE CONFLICT WITH TURKEY GREATLY BURDEN AN ECONOMY WHOSE ENERGIES WHOULD BE DIRECTED AT EASING THE COUNTRY'S TRANSITION TO A STABLE, PLURALISTIC DEMOCRACY. THE CONFRONTATION WITH TURKEY AND THE NEED FOR NATIONAL UNITY INHABIT THE GREEK PROCLIVITY TO BREAK DOWN INTO QUARRELSOME FACTIONS AND KEEP THE MILITARY -- STILL THE FINAL POLITICAL ARBITER HERE-- OUT OF POLITICS. BUT, AS IS WIDELY RECOGNIZED HERE, THE SHORT RUN GAINS IN NATIONAL UNITY STIMULATED BY THE TURKISH THREAT ARE FAR OUTWEIGHED BY THE LONGER RUN COSTS: VITALLY NEEDED PROGRAMS IN HOUSING, AGRICULTURE AND SOCIAL SERVICES ARE SQUEEZED, THE BALANCE OF PAYMENTS IS HEAVILY BURDENED, AND FOREIGN AND DOMESTIC INVESTORS ARE WARY.

10. FEW PEOPLE IN GREECE EXPECT THAT AN ARMED CONFLICT WITH TURKEY WOULD END UP OTHER THAN BADLY FOR GREECE. MOST GREEK LEADERS RECOGNIZE THE NEED FOR CONCESSIONS TO THE TURKS, BOTH ON CYPRUS AND IN THE AEGEAN. THERE EVEN SEEMS TO BE A BROADENING CONSENSUS

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AMONG THEM OF WHAT MIGHT CONSTITUTE AN ACCEPTABLE PRICE:

-- ON CYPRUS, WHERE MAKARIOS, NOT CARAMANLIS, WILL CALL THE TUNE, BIZONALITY, A CENTRAL GOVERNMENT OF LIMITED POWERS, AND A TURKISH-CYPRIOT ZONE OF SOMETHING AROUND 25 PERCENT OF THE ISLAND APPEARS "REALISTIC" TO MANY GREEKS.

-- IN THE AEGEAN, FAR MORE IMPORTANT TO MAINLAND GREEKS THAN CYPRUS, CARAMANLIS' NEGOTIATING ROOM IS NARROWER, BUT HIS PUBLIC ACKNOWLEDGEMENT THAT THE TURKS HAVE "RIGHTS" IN THE AEGEAN CAUSED ONLY A FEW RIPPLES, EVEN THOUGH MANY GREEKS ARE EMOTIONALLY CONVINCED THAT "THE AEGEAN IS GREEK." CARAMANLIS IS PREPARED EVENTUALLY TO GIVE THE TURKS EXPLOITATION AND OTHER RIGHTS CONSIDERABLY BEYOND THE NARROW STRIP OF TERRITORIAL WATERS THEY NOW POSSESS. INEVITABLY THE AEGEAN BARGAIN WILL HAVE TO INCLUDE SOME KIND OF TURKISH REAFFIRMATION OF GREEK SOVEREIGNTY OVER ITS AEGEAN ISLANDS.

11. THE MAN WHO WILL FINALLY DECIDE WHERE AND HOW GREECE WILL CHOOSE BETWEEN NEGOTIATING AND FIGHTING IS PRIME MINISTER CARAMANLIS. HE HAS STATED FLATLY THAT HE WILL NEVER AGAIN ALLOW GREECE TO BE "HUMILIATED" AS IT WAS ON CYPRUS AND AGAIN LAST SUMMER WITH THE SAILING OF THE TUKISH RESEARCH VESSEL. HE ADDS THAT HE COULD NOT SURVIVE IF HE DID, EVEN IF HE WANTED TO. GREEK HONOR, PRIDE AND PASSION ARE TOO IMBEDDED IN THE NATION'S LIFE. THUS, THOUGH HE MAY BE BLUFFING, IT WOULD BE IMPRUDENT TO ASSUME HE DOES NT MEAN WHAT HE SAYS WHEN HE THREATENS

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TO USE FORCE AGAINST THE SISMIK IF IT SHOULD AGAIN
PROVOCATIVELY CHALLENGE ASSERTED GREEK RIGHTS.

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12. IF ANY NATIONAL LEADER IN GREECE
HAS THE STRENGTH AND THE PURPOSEFULNESS TO REACH AN
ACCEPTABLE SETTLEMENT WITH ANKARA IT IS CARAMANLIS.
AS WE HAVE NOTED, HE IS ALSO AN IDEAL MAN TO LEAD
GREECE IN ITS DOMESTIC TRANSITION. FORTUNATELY, HIS
HEALTH AT SEVENTY SEEMS EXCELLENT AND HIS POLITICAL
TOUCH AND SENSE OF TIMING ARE AS DEFT AS EVER. AND
HE IS AIDED BY A DIVIDED OPPOSITION WHICH, WITH THE
EXCEPTION OF ANDREAS PAPANDREOU, FEARS POLARIZATION
AND, AS A RESULT, BEHAVES WITH RELATIVE MODERATION.
AND WHILE THE ECONOMIC AND SOCIAL PRESSURES GENERATED
BY GREECE'S FULL ACCESSION TO THE EUROPEAN COMMUNITY
WILL NOT BEGIN TO BE FELT DURING THE PERIOD OF THIS
ESTIMATE, THE POLITICAL BENEFITS OF

CARAMANLIS' DECISION TO ANCHOR GREEK DEMOCRACY IN THE COMMUNITY WILL.

13. NEVERTHELESS, AS TIME GOES ON, THE NATURAL EFFERVESCENCE OF GREEK POLITICS WILL CONTINUE TO ASSERT ITSELF:

--. STUDENT UNREST, LABOR TROUBLES, AND DISSIDENCE ON THE FAR RIGHT ARE ALREADY IN EVIDENCE AND WILL PROBABLY GROW.

--. ELECTIONS ARE SCHEDULED IN GREECE NO LATER THAN NOVEMBER 1978, AND COULD BE HELD EARLIER IF CARAMANLIS WISHES. AS ELECTIONS APPROACH, THE INCENTIVES FOR MODERATION BY THE OPPOSITION COULD DROP OFF, ESPECIALLY IF PAPANDREOU MANAGES TO STEAL THE SPOTLIGHT WITH HIS FLAMBOYANT TACTICS. IT IS ALSO WELL TO REMEMBER THAT AS THE ELECTIONS APPROACH, THEY WILL WEIGH INCREASINGLY HEAVILY ON CARAMANLIS FOREIGN POLICY CALCULATIONS. WHILE A CYPRUS SETTLEMENT ENDORSED BY MAKARIOS AND A REASONABLE RESOLUTION OF THE AEGEAN WOULD PROBABLY

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INCREASE CARAMANLIS POPULARITY, HIS ABILITY AND WILLINGNESS TO UNDERTAKE RISKS TO ACHIEVE THESE GOALS WILL BEGIN TO DECLINE RAPIDLY SOME SIX TO EIGHT MONTHS BEFORE THOSE ELECTION. THUS IT IS LIKELY THAT IN THE YEAR AHEAD THE CARAMANLIS POSITION WILL ERODE. HOWEVER, BARRING A DISASTER WITH TURKEY, I DO NOT BELIEVE THAT HE WILL LOSE HIS DOMINANT POSITION IN GREEK POLITICS DURING THAT PERIOD.

14. POLITICAL STABILITY IN THE NEAR TERM WILL ALSO DEPEND HEAVILY ON WHETHER THE GREEK ECONOMY IS ABLE TO MEET THE RISING DEMANDS BEING PLACED UPON IT, A TASK GREATLY COMPLICATED BY THE NEED TO ACCOMPLISH MAJOR STRUCTURAL REFORMS IN BOTH THE ECONOMY AND THE BUREAUCRACY AS GREECE MOVES TOWARDS FULL MEMBERSHIP IN THE EUROPEAN COMMUNITY. YET, ASSUMING NO MAJOR SLOWDOWN IN WESTERN ECONOMIES, I EXPECT THAT OVER THE NEXT FEW YEARS THE GREEK ECONOMY WILL CONTINUE TO EXPAND AT A RATE OF 5 OR 6 PERCENT, WHICH SHOULD KEEP ECONOMIC FACTORS FROM TEARING THE SOCIAL AND POLITICAL FABRIC.

15. IN GREECE, AS ELSEWHERE, OUR INTERESTS OFTEN APPEAR GREATER THAN OUR ABILITY TO INFLUENCE EVENTS. NEVERTHELESS IF WE CANNOT DETERMIN THE OUTCOME OF CRITICAL ISSUES, WE CAN AFFECT THEM POSITIVELY --

AND IF WE MISSTEP IN GREECE WE CAN EASILY SEND THEM SPINNING OFF IN THE OPPOSITE DIRECTION. LUCKILY, THINGS HAVE BEEN GOING RATHER BETTER FOR US RECENTLY, ALTHOUGH THIS TREND COULD EASILY BE REVERSED:

--THERE IS A GROWING CONSENSUS AMONG ALL EXCEPT THE COMMITTED LEFT THAT THE US WILL -- AND SHOULD -- CONTINUE TO OPERATE IN GREECE IN THE COMMON DEFENSE. THIS CONSENSUS SHOULD CONTINUE TO GROW IF THERE IS NO FURTHER DETERIORATION IN GREECE'S RELATIONS WITH
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TUKEY.

-- GREECE IS SLOWLY MOVING TOWARD REINTEGRATION INTO NATO, A PROCESS WHICH SHOULD ALSO CONTINUE, SUBJECT TO THE SAME CAVEAT.

-- THE US HAS SLOWLY EMERGED FROM BEING PERCEIVED AS THE MAJOR THREAT TO GREEK DEMOCRACY AND INTERESTS. NEVERTHELESS, A SIGNIFICANT LEVEL OF ANTI-AMERICANISM WILL REMAIN A FACTOR DUE TO THE CHRONIC INABILITY OF GREEKS TO ASSUME RESPONSIBILITY FOR THEIR OWN ACTIONS, THE PRESENCE OF A SOLID MINORITY WHO SEE THE AMERICAN CONNECTION AS ENTIRELY NEGATIVE, AND A VIRULENTLY HOSTILE SECTOR OF THE PRESS. STILL, THE ENVIRONMENT HERE FOR OUR ACTIVITIES SHOULD CONTINUE TO BECOME INCREASINGLY HOSPITABLE, PROVIDING WE DO NOT OVERLOAD THE CIRCUITS.

C. OBJECTIVES, COURSES OF ACTION, AND ISSUES

16. (A) WE SHOULD PLAY A MORE ACTIVE AND UNEQUIVOCAL ROLE IN TRYING TO BRING ABOUT A STABLE AND PEACEFUL RELATIONSHIP BETWEEN GREECE AND TURKEY. AS FAR AS GREECE IS CONCERNED, THIS HAS TO BE OUR OVERRIDING OBJECTIVE. GREEK ANXIETIES ABOUT TURKISH CAPABILITIES AND INTENTIONS CUT ACROSS OUR INTERESTS AND OBJECTIVES IN GREECE AND IN THE AREA. IF IN THE SHORT TERM WE MUST SEEK TO ASSURE THAT THERE IS NO WAR BETWEEN THE TWO, IN THE LONG RUN WE MUST WORK FOR A MUTUALLY SATISFACTORY SETTLEMENT OF THE CYPRUS PROBLEM AND, EVEN MORE CRITICALLY, OF THE GREEK-TURKISH CONFRONTATION IN THE AEGEAN. AS SEEN FROM ATHENS, WE HAVE BEEN -- AS A GOVERNMENT -- TOO AMBIGUOUS TOWARD THE TURKS, HARMING THEM AND US AS WELL AS GREECE AND CYPRUS.
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C O N F I D E N T I A L SECTION 4 OF 5 ATHENS 2863

LIMDIS

T17. SECRETARY CLIFFORD'S MISSION WAS A MOST USEFUL
STEP IN MOVING THESE TWO NATIONS TOWARDS DETENTE. ON
CYPRUS, THE NEGOTIATING PROCESS BEGUN UNDER UN
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AUSPICES HOPEFULLY WILL ACHIEVE A NEGOTIATING MOMENTUM THAT, WITH OUR SUPPORT, WILL DRIVE THE PARTIES TOWARD A SETTLEMENT. IN THE AEGEAN BOTH SIDES ARE, HOWEVER, STILL FAR APART. WE WILL HAVE TO CONTINUE TO WRESTLE WITH THE DIFFICULT QUESTION OF HOW TO INSERT OURSELVES MOST CONSTRUCTIVELY INTO THIS CONFRONTATION. ONE THING THAT MIGHT BE HELPFUL TO US ALL WOULD BE TO STOP THINKING ABOUT GREECE AND TURKEY AS TWO ALLIES WHO ARE QUARRELING AND LOOK AT THEM AS TWO BASICALLY ENEMY STATES NOW IN CONFRONTATION. WE MIGHT THEN BEGIN EXAMINING, FOR INSTANCE, A SERIES OF CONFIDENCE BUILDING MEASURES, WITH US SCRUTINIZING COMPLIANCE, AS A WAY OF OPENING THE ROAD TO FRUITFUL NEGOTIATIONS.

18. IN THE MEANTIME, WE MUST:

-- USE OUR INFLUENCE, PRESSURE, AND POWER TO ENCOURAGE A PEACEFUL, MUTUALLY ACCEPTED ACCOMMODATION BETWEEN GREECE AND TURKEY IN THE AEGEAN AND ON CYPRUS.

--SCRUPULOUSLY AVOID THE APPEARANCE OF TAKING SIDES ON THE SUBSTANCE OF THE GREEK-TURKISH DISPUTES, HELP SUSTAIN THE MILITARY BALANCE BETWEEN THE TWO, AND MAINTAIN A POLICY OF EVENHANDEDNESS.

--CONTINUE TO WORK CLOSELY WITH THE CARAMANLIS GOVERNMENT IN SEEKING AN EARLY AND SATISFACTORY CYPRUS SETTLEMENT.

-- ENCOURAGE THE GREEKS TO ACT REASONABLY AND RATIONALLY IN THE AEGEAN WHILE MAKING CLEAR TO THEM THAT THE US COULD NOT BECOME MILITARILY INVOLVED IN AN ARMED CONFLICT THERE.

--STRESS TO THE TURKS THAT WE CANNOT BE INDIFFERENT
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TO THEIR ACTIONS VIS-A-VIS GREECE IN THE AEGEAN AND THAT THEIR SECURITY RELATIONSHIP WITH THE UNITED STATES COULD NOT SURVIVE AN ARMED CLASH WITH GREECE WHICH TURKEY HAD INITIATED OR APPEARED TO PROVOKE.

19. (B) WE SHOULD SEEK TO RESTORE FURTHER THE SENSE OF

COMMON PURPOSE AND MUTUAL CONFIDENCE BETWEEN GREECE AND THE UNITED STATES. NOTHING ELSE CAN PROVIDE A SOLID, LASTING FOUNDATION FOR OUR RELATIONSHIP. IN 1974 WE REACHED A NADIR IN THIS REGARD, BUT THERE HAS BEEN MAJOR PROGRESS SINCE THEN. GREEK POLITICAL, MILITARY AND OPINION LEADERS HAVE A SUBSTANTIAL DEGREE OF CONFIDENCE IN US LEADERSHIP AND INTENTIONS, AND WHILE THERE ARE SOME WHO CAN NEVER ACCEPT THIS PROPOSITION (THE COMMUNISTS; ANDREAS PAPANDREOU, IN HIS CURRENT STATE OF MIND) A LARGE PORTION OF THE PUBLIC STILL BELIEVES THAT THE INTERESTS OF GREECE POLITICAL, ECONOMIC, AND ABOVE ALL, SECURITY-- ARE BEST SERVED BY CLOSE TIES WITH THE WEST AND THE UNITED STATES. THE PROBLEM FOR THE USG IS TO REINFORCE THIS GROUP'S OPINION AND CONVINCE OTHERS OF THIS MUTUALITY.

20. IN SEEKING MUTUAL BILATERAL CONFIDENCE AND PURPOSES BETWEEN GREECE AND THE US WE SHOULD:

--CONTINUE BOTH IN WASHINGTON AND ATHENS TO KEEP THE RECORD CLEAR AND PREVENT MISREPRESENTATIONS FROM CLOUDING OUR RELATIONSHIP. IN THE INCREASINGLY HOSPITABLE CLIMATE HERE, WE WILL WISH, AT CAREFULLY CHOSEN TIMES, TO SPEAK OUT MORE FREQUENTLY WHERE THERE ARE FALSE ALLEGATIONS ABOUT PAST USG ACTIONS AND TO MAKE OUR PRESENT POSITION CLEAR.

--CONSULT WITH THE SEEK THE SUPPORT OF GREECE ON CONFIDENTIAL

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MULTILATERAL ISSUES. IN MANY AREAS WE WILL UNDOUBTEDLY FIND THAT PARTICULAR GREEK VIEWS AND INTERESTS IN CYPRUS, IN THE AEGEAN AND THE MIDDLE EAST MAY CAUSE OUR POSITIONS TO DIVERGE RATHER THAN CONVERGE. HOWEVER, PARTICULARLY IN ECONOMIC MATTERS, WE CAN PROBABLY EXPECT A SYMPATHETIC AND SUPPORTIVE RESPONSE FROM THE GOG.

--CONTINUE TO ENLARGE AND REINVIGORATE CONTACTS WITH GREEK POLITICAL, ECONOMIC, MEDIA, ACADEMIC AND OTHER OPINION LEADERS. WHILE STUDENT LEADERS UNTIL NOW HAVE BEEN DIFFICULT TO REACH DIRECTLY (REFUSING EVEN TO TALK), A MODEST LEVEL OF CULTURAL AND EDUCATIONAL EFFORTS TAILORED FOR UNIVERSITY STUDENTS IS NOW FEASIBLE. IN ADDITION, YOUNGER ACADEMICIANS ARE BECOMING MORE ACCESSIBLE AND SHOULD BE A SPECIAL TARGET. AGAIN THIS YEAR WE WOULD LIKE TO SEE OUR INTERNATIONAL VISITORS PROGRAM SIGNIFICANTLY EXPANDED.

21. (C) WE SHOULD CONTINUE TO RESTORE AND STRENGTHEN
US-GREEK COOPERATION IN SECURITY AFFAIRS. THIS
OBJECTIVE ENCOMPASSES BOTH THE PRESERVATION OF
ESSENTIAL US MILITARY FACILITIES IN GREECE AND THE
RESUMPTION OF MEANINGFUL GREEK PARTICIPATION IN NATO.
BOTH THE GOVERNMENT AND THE MILITARY WANT TO SEE THESE
TIES PUT ON A SOUND AND LASTING BASIS.

22. WE SHOULD REMEMBER THAT IT WAS PRIMARILY ATHENS,
NOT WASHINGTON, WHICH WANTED TO RENEGOTIATE OUR
SECURITY AGREEMENTS. IF THE GREEK AND TURKISH DCA'S
WERE NOT SO CLOSELY LINKED WE WOULD PERHAPS HAVE MORE
TIME TO COMPLETE THENEGOTIATIONS HERE. IN THE MEANTIME,
WE CONTINUE TO OPERATE ALMOST WITHOUT RESTRICTION FROM
OUR MAJOR FACILITIES AND ANY AGREEMENTS WE REACH WILL
BE SOMEWHAT MORE RESTRICTIVE THAN THOSE WE NOW HAVE.
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23. IN PURSUIT OF A STRONG AND HEALTHY SECURITY
RELATIONSHIP WITH GREECE WE SHOULD:

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ACTION EUR-08

INFO OCT-01 ISO-00 SS-14 SP-02 PER-01 SIG-01 A-01
MMO-01 EB-01 SCA-01 IO-06 INR-05 CU-02 CIAE-00
NSC-05 NSCE-00 TRSE-00 USIA-01 EURE-00 PM-03 /053 W
-----301759Z 056260 /43

P R 301447Z MAR 77

FM AMEMBASSY ATHENS

TO SECSTATE WASHDC PRIORITY 9757

INFO AMEMBASSY ANKARA

AMEMBASSY BELGRADE

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY NICOSIA

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS
USMISSION NATO
USMISSION OECD PARIS UNN
USMISSION USUN NEW YORK
SECDEF WASHDC
DIA WASHDC
USCINCEUR
CINCUSAFE
CINCUSNAVEUR
CINCUSAREUR
USNMR SHAPE
USDOCOSOUTH

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LIMDIS

-- CONTINUE TO PRESS AS HARD AS GREEK POLITICAL REALITIES WILL
ALLOW FOR AN UPDATING AND CONCLUSION OF OUR DEFENSE AGREEMENTS.

-- PLAY A CONSTRUCTIVE ROLE IN NATO DISCUSSIONS, ENCOURAGING
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THE REINTEGRATION OF GREECE INTO THE MILITARY STRUCTURE OF THE
ALLIANCE. WE SHOULD ENCOURAGE GREECE TO PARTICIPATE IN NATO
EXERCISES.

-- SEEK EXPANDED ACCESS TO GREEK PORTS BY SIXTH FLEET SHIPS,
THE RESUMPTION OF JOINT NAVAL EXERCISES AND INCREASED ACCESS
TO GREEK TERRITORY FOR BILATERAL EXERCISES.

-- MAINTAIN A HIGH LEVEL OF U.S. ASSISTANCE TO THE GREEK MILITARY
TO IMPROVE THEIR EFFECTIVENESS AND READINESS TO CARRY OUT THEIR
NATO ROLE. UNDER THE FRAMEWORK AGREEMENT FOR THE GREEK DCA,
THE USG IS PROJECTING \$700 MILLION OF MILITARY ASSISTANCE OVER
THE NEXT FOUR YEARS. WHILE THIS ASSISTANCE TO GREECE
MAY BE JUSTIFIED SOLELY BY GREECE'S NATO ROLE, IT IS ALSO A
CRITICAL PART OF OUR NEED TO BE EVEN-HANDED BETWEEN ANKARA AND
ATHENS AND IS ALSO A FORM OF VALUABLE INDIRECT ASSISTANCE
WHICH RELEASES GREEK FUNDS FOR IMPORTANT SOCIAL AND DEVELOPMENTAL
PURPOSES.

24. (D) A HEALTHY AND STEADILY EXPANDING GREEK ECONOMY
REMAINS A KEY U.S. OBJECTIVE BECAUSE IT IS A KEY TO POLITICAL
STABILITY, BECAUSE IT IS A PREREQUISITE TO GREECE'S BEING AN
ATTRACTIVE TRADING AND INVESTMENT PARTNER, AND BECAUSE IT WILL
GENERATE INTERESTS THAT CONVERGE WITH OUR OWN IN INTERNATIONAL
ECONOMIC FORUMS. THE NECESSITY FOR RAPID GROWTH, THE VULNERA-
BILITY OF THE GREEK ECONOMY AT ITS CURRENT STAGE OF DEVELOPMENT,
AND THE WEIGHT OF HIGH DEFENSE OUTLAYS IMPLY CONTINUED PRIORITY

REQUIREMENTS FOR EXTERNAL FINANCING. MUCH OF THIS WILL COME FROM COMMERCIAL BANKS AND FROM GREECE'S PARTNERS IN THE EUROPEAN COMMUNITY. HOWEVER, THE UNITED STATES GOVERNMENT, WHICH IN FY 1975-77 PROVIDED GREECE WITH OVER \$650 MILLION THROUGH VARIOUS PROGRAMS, MUST CONTINUE TO PLAY A SIGNIFICANT ROLE. IN ADDITION, GREECE'S IMPENDING FULL MEMBERSHIP IN THE EC AND ITS EMERGENCE AS A BUSINESS AND FINANCIAL CENTER FOR THE EASTERN MEDITERRANEAN WILL ENHANCE THE COUNTRY'S ROLE IN THE INTERNATIONAL ECONOMY AND THEREBY THE NEED FOR US TO MAINTAIN CLOSE AND COOPERATIVE
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ECONOMIC TIES WITH GREECE.

25. IN SUPPORT OF A STRONG GREEK ECONOMY AND A PRODUCTIVE AMERICAN RELATIONSHIP WITH IT WE WILL HAVE TO:

-- CONTINUE RESPONDING TO GREECE'S NEEDS FOR FINANCIAL ASSISTANCE THROUGH SUCH MEANS AS FMS CREDITS, MILITARY ASSISTANCE GRANTS, CCC CREDITS, AND EXIMBANK PROGRAMS.

-- MAINTAIN A CLOSE AND EFFECTIVE RELATIONSHIP AT ALL LEVELS OF THE GOG IN ORDER TO MAKE EFFECTIVE REPRESENTATIONS ON BEHALF OF OFFICIAL U. S. POSITIONS IN INTERNATIONAL FORUMS, TO SUPPORT U.S. INVESTMENT AND TRADE, AND TO GATHER DATA FOR ECONOMIC ANALYSIS AND MARKET OPPORTUNITIES.

-- BE PREPARED TO ASSIST ENTREPRENEURS AND INVESTORS WITH A FULL RANGE OF SUPPORTIVE COMMERCIAL SERVICES.

26. (E) WE SHOULD SEEK WHEREVER WE APPROPRIATELY CAN TO ENHANCE THE STABILITY OF GREEK POLITICAL INSTITUTIONS MUST BE TRANSFORMED, EDUCATION MODERNIZED AND POLITICAL LEADERSHIP DECOUPLED FROM ITS OVERDEPENDENCE ON PERSONALITIES. THE PRIMARY RESPONSIBILITY FOR THESE TRANSFORMATIONS AND FOR THE MAINTENANCE OF GREEK DEMOCRACY RESTS SQUARELY WITH THE GREEKS THEMSELVES. HOWEVER, THERE IS A ROLE FOR VISITING AUTHORITATIVE AMERICANS TO SHARE THEIR EXPERTISE WITH RELEVANT GREEKS IN THE FIELDS OF POLITICAL AND SOCIAL PROCESSES.

27. OUR ROLE IN THIS AREA WILL BE A LIMITED ONE. BUT WE SHOULD:

-- START FROM THE PREMISE THAT FOR THE IMMEDIATE FUTURE CARAMANLIS IS THE ROCK UPON WHICH GREEK DEMOCRACY RESTS. WHEN WE ACT -- OR REFRAIN FROM ACTING -- ON MATTERS RELATING TO GREECE, FULL CONSIDERATION SHOULD BE GIVEN TO HOW OUR ACTION WILL AFFECT HIS POSITION.

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-- AVOID INJECTING OURSELVES INTO GREEK POLITICS AS A POLARIZING AGENT.

-- REAFFIRM, AS APPROPRIATE, OUR SUPPORT FOR GREEK DEMOCRACY AND OUR UNEQUIVOCAL OPPOSITION TO ITS OVERTHROW.

-- FACILITATE CONTACTS BETWEEN TRADE UNIONS IN GREECE AND THEIR COUNTERPARTS IN THE U.S. AND WESTERN EUROPE.

28. CONCLUSION. THIS DO I AND OUR COUNTRY TEAM ASSESS THE PRESENT SITUATION IN GREECE AND PROPOSE THE MAIN LINES OF ACTION TO SERVE OUR INTERESTS AND OBJECTIVES IN THE PERIOD JUST AHEAD. IN A COMPANION, FOLLOWING TELEGRAM -- PARTS II AND III OF THIS MESSAGE -- WE SHALL DISCUSS AND MAKE RECOMMENDATIONS CONCERNING THE RESOURCES REQUIRED.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, ANNUAL REPORTS, INTELLIGENCE ASSESSMENTS, FOREIGN POLICY POSITION, CERP 0001
Control Number: n/a
Copy: SINGLE
Sent Date: 30-Mar-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ATHENS02863
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770109-0272
Format: TEL
From: ATHENS
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977039/aaaaaham.tel
Line Count: 838
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: cfc012bd-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 16
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 77 STATE 38356, 77 STATE 41169
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3197451
Secure: OPEN
Status: NATIVE
Subject: PARM - ANNUAL POLICY AND RESOURCE ASSESSMENT - PART I
TAGS: PFOR, PARM, US, GR
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/cfc012bd-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009